GOVERNMENT OF INDIA
URBAN EMPLOYMENT AND POVERTY ALLEVIATION
LOK SABHA

UNSTARRED QUESTION NO:273
ANSWERED ON:25.07.2000
SLOW PROCESS IN POVERTY REDUCTION
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Will the Minister of URBAN EMPLOYMENT AND POVERTY ALLEVIATION be pleased to state:

(a) whether the world bank has sounded a warning that the poverty reduction process in India has slowed down since 1990s and the poorer States have not recorded improvement in this respect even despite the higher growth rates;

(b) if so, the facts in this regard and the reasons therefor; and

(c) the steps proposed to be taken by the Government in the matter?

Answer

MINISTER OF URBAN DEVELOPMENT & POVERTY ALLEVIATION (SHRI JAGMOHAN)

(a)&(b): World Bank in their report entitled `India: Policies to Reducing Poverty & Accelerate Sustainable Development` has made certain observations about the sluggish poverty reduction in recent years in India despite the improvement in human development and higher GDP growth in the mid-1990s. The relevant extracts of the observations made by the World Bank are given in the Annexure.

(c): To alleviate the urban poverty, the Govt., on 1.12.1997, launched a unified Urban Poverty Alleviation Programme viz. `Swarna Jayanti Shahari Rojgar Yojana` (SJSRY) replacing the earlier urban poverty alleviation programmes. The SJSRY scheme seeks to provide gainful employment to the urban unemployed or underemployed through encouraging the setting up of self- employment. ventures or provision of wage employment. This scheme is funded on a 75:25 basis between Centre and the States.

The other Ministries are also taking action to contain/alleviate poverty through their own poverty/alleviation programmes.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (a)&(b) OF LOK SABHA UNSTARRED QUESTION NO.273 FOR 25.7.2000.

RELEVANT EXTRACTS FROM THE WORLD BANK`S REPORT ENTITLED `INDIA: POLICIES TO REDUCE POVERTY AND ACCELERATE SUSTAINABLE DEVELOPMENT`

A. `Sluggish Poverty Reduction in Recent Years:- Despite the improvements in human development and the higher GDP growth in the mid-1990s, India`s household sample surveys suggest that poverty reduction has been sluggish recently. In the early 1990s, poverty worsened following the stabilization of the unsustainaable policies of the 1980s, a poor harvest and a decline in food availability. Soon, poverty began to fall again and by 1993-94 was somewhat below the 1987 level. However, from 1993-94 until 1997 (the last available survey), improvement has been limited in the rural areas which contain over 70% of the poor. Moreover, analysis suggests that the large poor states in the north and east, containing 40% of India`s population, have lagged in reducing poverty since the late 1970s.

The estimated slowdown in the overall reduction of poverty may merely reflect one of India`s many statistical inconsistencies the estimates of consumption and food grains consumption in the national accounts suggest much faster consumption growth than the sample surveys, while the surveys suggest little worsening of distribution. The need to improve the consistency and quality of these and other statistics, in order to provide a former basis for policy-making, is a major recommendations of this report.

B . Despite Achievements, Significant Challenges Ahead:-More worrisome is the possibility that growth became less potent in reducing poverty in the 1990s. Further work is needed on this complex issue. Nonetheless, the characteristics of agricultural growth in the 1990s; the slowdown of growth in the poor States; and the problems of infrastructure, social services and poverty programmes, especially in the poorer States which are linked to their increasing fiscal problems, poor incentive frameworks and weaknesses in governance and institutions, are all problems that may explain the lack of progress in reducing rural poverty. Note that statements made regarding individual States or the States GDP as a group refer to the old (1980-81 based) GDP accounts; once they are rebased, like national GDP, to the new (1993-94 based) accounts, the growth rates of states could be different from what the old accounts show, since the new GDP accounts include a much higher estimate of national agricultural output). Agriculture`s average growth has remained roughly constant since 1980 according to the new series of GDP. However, productivity growth in the sector seems to be slowing, even in the Punjab and Haryana, where some analysts suggests that environmental issues are a concern. Further, agricultural growth in some of the poorer states seems to have lagged. Public spending on agriculture has focused on subsidies, which lead to inefficiencies and environmental problems and at best have limited impact on poverty. The implicit and explicit subsidies have crowded-out public investment and social spending in Government`s budgets and substantially worsened the

fiscal problems of States. While private investment in agriculture has increased, to some extent this reflects inefficiencies and distortions that are partly related to the subsidies, such as the purchase of pumps to reach deep aquifers and generator sets to run them when free, low quality power fails. Moreover, the limited growth in agricultural productivity may also reflect the limited deregulation, which has left many distortions in the sector. For example, the restrictions on domestic and international agricultural trade contribute to occasional, sharp transitory increase in prices, which hurt the poor.

C. The poorer States have lower GDP growth, not just weak agricultural growth. Partly, of course, this reflects their structure-agriculture is a large percentage of their GDP. However, the poor States lower growth also reflects differences in initial conditions and State level policies the poorer States` problems in infrastructure, human development, and in some cases, governance, have limited their ability to take full advantage of the post-1991 reforms. Moreover, catching-up is a problem because of their increasingly severe fiscal problems- in the late 1980s the States began unsustainable increase in spending and large untargeted subsidies (explicit and implicit) that have never been adjusted, which has led to a large, costly debt build-up. Indian States are constitutionally prevented from external borrowing and limited in their domestic borrowing by the Central Government. Nonetheless, several States, including some of the poorest, now face unsustainable debt service obligations, mainly to the Central Government, which is turn had borrowed to fund these loans. Infrastructure and social spending have slowed in most States as a consequence of the high debt service particularly in the highly indebted and poorer States. The States` problems have worsened in the last two years, with the cascading down of the excessive central public sector wage settlement of 1997`.